Weekly Economic Review

Housing starts remain strong despite dip

Housing Starts

Broad-based growth

Alberta housing starts were down slightly to 43,014 (annualized) in October from the previous month, but were up 12.5% over October 2013 (Chart 1) and 17.5% year to date. Growth was broad-based across dwelling types, unlike recent months when apartment starts provided much of the impetus for growth. While Calgary housing starts have been moderating the past couple of months, they were still up 19.7% year-over-year (y/y). Edmonton starts have been holding steady, but growth was down 6.9% y/y because of a spike in starts in October 2013.

Chart 1: Housing starts up big in 2014

Alberta housing starts

Source: Statistics Canada

Nationally, housing starts weakened to 183,604 in October, down 8.8% y/y. Canadian housing starts were weighed down by a significant drop in apartment starts. Most provinces experienced negative year-over-year growth in housing starts, except for Prince Edward Island, Alberta and Manitoba.

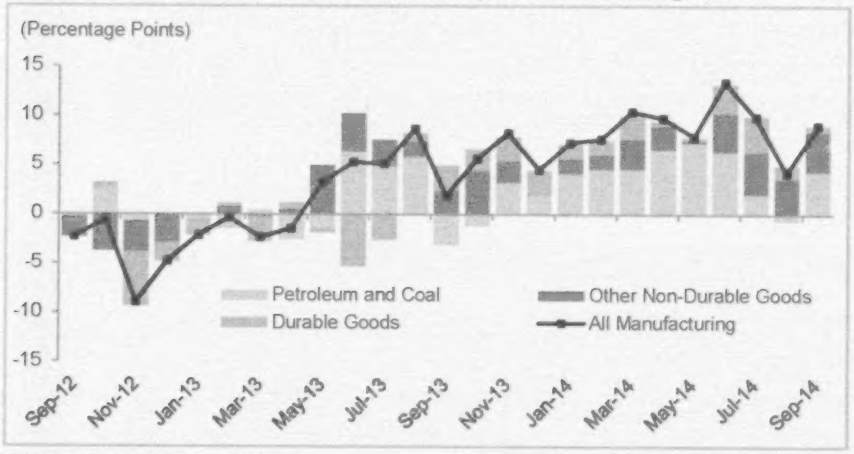
Manufacturing Shipments

Sales pick up

Alberta manufacturing shipments in August were up a strong 9.0% y/y. Non-durable goods were led by sales of petroleum and coal products, which jumped 16.5% y/y, as production bounced back after a refinery upset in August. Food manufacturing sales continued to post positive gains, up 13.1% y/y in September, helped by high meat prices. Sales of durable manufactured goods were only 1.5% higher than in 2013. There was some weakness in machinery & equipment (-0.1% y/y) and fabricated metals (-3.6% y/y), which were a drag on growth in September. Year to date, manufacturing sales in Alberta are up 8.8% over the first nine months of 2013. Non-durable goods have accounted for most of the growth (Chart 2).

Chart 2: Non-durable goods drive manufacturing sales

Contribution to year-over-year percent change in manufacturing sales



Source: Statistics Canada

Nationally, shipments were up 2.1% over July and are up 5.6% year-to-date.

New Housing Price Index

Calgary prices still climbing

The Alberta New Housing Price Index (NHPI) in September was 3.5% higher than a year ago. The increase was driven by Calgary, where new housing prices were 6.5% higher than September 2013, by far the biggest year-over-year increase among major cities. New home prices in Edmonton rose 0.5%, the first year-over-year increase since October 2013. The NHPI for Edmonton has grown by less than one percent per year since 2009 and is almost 15% below the high in 2007. The NHPI may understate overall house price trends. The Teranet-National Bank index, which has adjustments for quality differences, suggests resale house prices in October grew by 4.9% y/y in Edmonton and 9.1% y/y in Calgary (Chart 3).

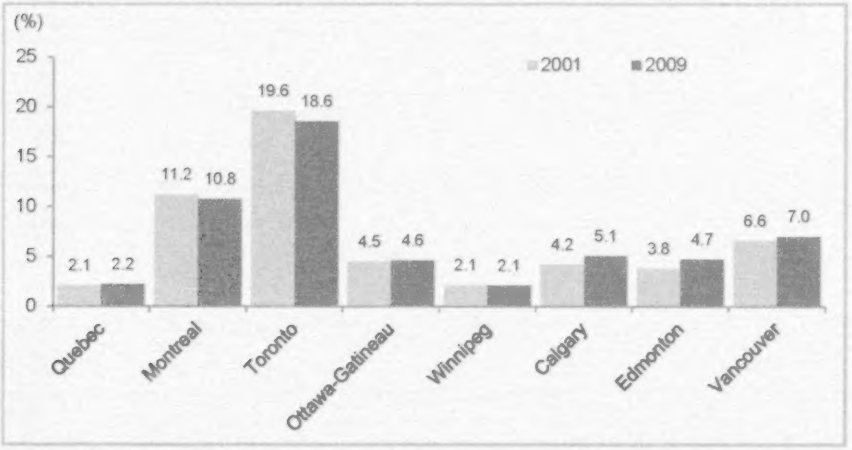
Chart 3: NHPI may understate Edmonton house price growth

Year-over-year percent change in the NHPI and Teranet-NB House Price Index

Source: Statistics Canada, Teranet-National Bank

Chart 4: Production shifts west

Municipal GDP as a share of national GDP



Source: Statistics Canada

Construction Price Industries

Cost growth slows

Alberta construction cost inflation continued to slow, with year-over-year growth in both residential and non-residential construction costs drifting lower in the third quarter. Non-residential construction costs were 1.4% higher than in the third quarter of 2013, and residential costs were 1.3% higher, both well below consumer price inflation. Of the seven Canadian cities included in the survey, Calgary had the second slowest increase in non-residential construction costs at 1.0%, compared with 1.6% in Edmonton, which has outpaced Calgary throughout 2014.

Municipal GDP

Economic activity shifts west

On an experimental basis, Statistics Canada has released metropolitan GDP estimates for 2001-2009. Over that period, production shifted west, with the three largest Western Canadian cities making up a greater share of national GDP (Chart 4). Calgary's share of GDP rose from 4.2% to 5.1% between 2001 and 2009, while Edmonton's share rose from 3.8% to 4.7%. In 2009, Calgary and Edmonton were second and third among Canadian metropolitan areas (CMA) in terms of GDP per capita, behind Regina. Non-CMA areas of Alberta had a higher GDP per capita than any CMA in Canada, accounting for just over a third of Alberta's population and just under half the economic activity.

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.